

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1645 - SB 2484

February 21, 2020

SUMMARY OF BILL: Increases, from \$250 to a maximum of \$2,500, the beer permit application fee assessed by local governments. Increases, from \$100 to a maximum of \$500, the privilege tax annually assessed by local governments against beer permit holders. Removes authorization for local beer boards and the Alcoholic Beverage Commission (ABC) to convene and take reciprocal measures against permittees in certain circumstances. Prohibits local governments from imposing fines or penalties in certain circumstances.

ESTIMATED FISCAL IMPACT:

Increase Local Revenue – Exceeds \$1,500,000/FY20-21 and Subsequent Years

Assumptions relative to application fees and privilege taxes:

- Pursuant to Tenn. Code Ann. § 57-5-104:
 - Each applicant for a beer permit shall pay an application fee of \$250 to the local government within which the business is located; and
 - Each permittee is required to remit a privilege tax of \$100 to the local government where the business is located on January 1, annually.
- The proposed language authorizes local governments to :
 - Assess a maximum of \$2,500 per beer permit issued;
 - Assess a maximum of \$500 annually for privilege taxes; and
 - Set varying rates based on the size and type of applicable business.
- There are approximately 400 local beer boards statewide. The number of beer permits issued in any given year by such local beer boards is unknown; however it is reasonably estimated that approximately 10,000 new beer permits are issued annually statewide.
- The local governing body will set such rates at a regularly scheduled meeting.
- The precise rate which will be set by each local beer board for privilege taxes and beer permit application fees is unknown; however the total recurring increase in local revenue from increases in such tax rates and application fees is reasonably estimated to exceed \$1,500,000 statewide annually, beginning in FY20-21.

Assumptions relative to reciprocal notices:

- Pursuant to Tenn. Code Ann. § 57-1-214:
 - If the ABC suspends or revokes a license to sell alcoholic beverages for violations of Tenn. Code Ann. § Title 57, Chapter 4, the ABC shall provide

- notice to the applicable local beer board. The local beer board is then authorized to take similar action related to the entity's beer permit; and
- If a local beer board suspends or revokes a beer permit for violations of Tenn. Code Ann. § Title 57, Chapter 4, the local beer board shall provide notification to the ABC. The ABC is then authorized to take similar action related to the entity's license to sell alcoholic beverages.
 - According to the ABC:
 - It sends approximately 14 notifications to local beer boards annually, with each notification potentially containing multiple violations;
 - It receives approximately 10 notifications from local beer boards annually, with each notification potentially containing multiple violations;
 - Upon receiving notification from a local beer board, the ABC may initiate an investigation into the entity for violations against their license to sell alcoholic beverages, or sufficient evidence is provided that a violation occurred relative to the entity's license to sell alcoholic beverages, the ABC may cite the entity with a violation; and
 - It issues approximately 20 citations a year based on local beer board reciprocal notices.
 - The proposed language:
 - Removes the ability for the ABC and local beer boards to cite licensee and permittees based solely on reciprocal notices of suspensions and revocations; and
 - Prohibits local beer boards from imposing fines or other penalties against permittees based solely on the fact that the ABC has imposed a fine or penalty.
 - It is reasonably assumed that the ABC and local beer boards will perform independent investigations in order to assess fines for violations occurring by beer permittees and alcoholic beverage licensees; therefore any decrease in state or local revenue from fine collection is estimated to be not significant.
 - Given the low number of violation notices provided by local beer boards and the ABC, it is estimated that such investigations will be performed utilizing existing staff and resources; therefore any increase in state or local expenditures for conduction of additional investigations is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/jrh